

VILLAGE OF BUCKLEY
BUCKLEY, MICHIGAN

GENERAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED FEBRUARY 29, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Buckley	County Wexford
Audit Date 2/29/04	Opinion Date 8/14/04	Date Accountant Report Submitted to State: 8/31/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as revised, issued by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>Barry E. Gaudette CPA</i>			

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INTRODUCTORY SECTION

VILLAGE OF BUCKLEY
ORGANIZATION
FEBRUARY 29, 2004
=====

VILLAGE OFFICERS AND COUNCIL MEMBERS

Dennis Kuhn	President
Larry Cade	Vice President /Trustee
Dennis Kuhn II	Clerk
Jacqueline Cade	Treasurer
Lex Armour	Trustee
Verneta Hartzell	Trustee
Norman Schichtel	Trustee
Kevin Krause	Trustee
Pat Schichtel	Trustee

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Village Council
Village of Buckley
Buckley, Michigan

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the Village of Buckley, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Buckley's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Buckley at February 29, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2004, on our consideration of the Village of Buckley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Buckley
Independent Auditor's Report
Page Two

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Buckley, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Sandy E. Haudett, CPA, PC

August 14, 2004

FINANCIAL SECTION

General Purpose Financial Statements

VILLAGE OF BUCKLEY
COMBINED BALANCE SHEETS
ALL FUND TYPES AND ACCOUNT GROUPS
February 29, 2004
=====

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>ASSETS</u>			
Cash	\$ 47,931	\$40,476	
Certificates of deposit	9,381		
Taxes receivable	23,878		
Accounts receivable			
Due from other funds	1,100		
Due from State	14,494	10,469	
Prepaid expenses			
Restricted assets - cash			
Land and land improvements			
Buildings and improvements			
Waterline distribution system			
Machinery and equipment			
Accumulated depreciation			
Amount to be provided for debt retirement			
 TOTAL ASSETS	 <u>\$ 96,784</u>	 <u>\$50,945</u>	 <u>\$</u>
<u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Due to other funds	\$	\$	\$
Accrued interest payable			
Current portion of general obligation bonds			
General obligation bonds payable - long-term			
Current portion of revenue bonds			
Revenue bonds payable - long term			
 TOTAL LIABILITIES	 <u></u>	 <u></u>	 <u></u>
FUND EQUITY:			
Contributed capital			
Investment in general fixed assets			
Retained earnings			
Fund balance - designated	9,381		
Fund balance - undesignated	87,403	50,945	
 TOTAL FUND EQUITY	 <u>96,784</u>	 <u>50,945</u>	 <u></u>
 TOTAL LIABILITIES & FUND EQUITY	 <u>\$ 96,784</u>	 <u>\$50,945</u>	 <u>\$</u>

See notes to financial statements

Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	February 29 2004	and 28, 2003
Enterprise				
\$ 28,007	\$	\$	\$ 116,414	\$ 183,271
			9,381	9,240
			23,878	18,239
3,754			3,754	2,813
			1,100	12,979
			24,963	26,606
3,091			3,091	2,814
10,743			10,743	20,598
800	240,127		240,927	240,927
83,440	408,658		492,098	421,095
650,422			650,422	626,712
31,952	249,324		281,276	273,172
(428,939)			(428,939)	(398,306)
		200,000	200,000	200,000
<u>\$ 383,270</u>	<u>\$898,109</u>	<u>\$ 200,000</u>	<u>\$ 1,629,108</u>	<u>\$ 1,640,160</u>
\$ 1,100	\$	\$	\$ 1,100	\$ 12,979
2,595			2,595	2,738
		5,000	5,000	5,000
		195,000	195,000	195,000
6,000			6,000	6,000
103,281			103,281	109,281
112,976		200,000	312,976	330,998
158,476			158,476	190,171
	898,109		898,109	823,701
111,818			111,818	101,558
			9,381	9,240
			138,348	184,492
270,294	898,109	200,000	1,316,132	1,309,162
<u>\$ 383,270</u>	<u>\$898,109</u>	<u>\$ 200,000</u>	<u>\$ 1,629,108</u>	<u>\$ 1,640,160</u>

VILLAGE OF BUCKLEY
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES**
 FOR THE YEAR ENDED FEBRUARY 29, 2004

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	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
REVENUES:			
Taxes	\$ 81,455	\$	\$
Licenses and permits	1,692		
State grants	50,394	59,144	
Contributions from local units	23,496		
Interest and rents	29,574	474	
Other	<u>27,046</u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>213,657</u>	<u>59,618</u>	<u> </u>
EXPENDITURES:			
Current:			
Legislative	9,999		
General government	28,743		
Public safety	46,954		
Public works	84,491	68,950	
Parks and recreation	689		
Capital outlay	74,408		
Debt service	<u> </u>	<u> </u>	<u>5,044</u>
TOTAL EXPENDITURES	<u>245,284</u>	<u>68,950</u>	<u>5,044</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31,627)</u>	<u>(9,332)</u>	<u>(5,044)</u>

See notes to financial statements

Totals (Memorandum Only)

Year Ended
February 29 and 28,
2004 2003

\$ 81,455 \$ 71,218
1,692 328
109,538 112,054

23,496 26,464
30,048 25,063
27,046 22,229

273,275 257,356

9,999 9,974
28,743 31,995
46,954 44,450
153,441 112,045
689 623
74,408 273,248
5,044

319,278 472,335

(46,003) (214,979)

VILLAGE OF BUCKLEY
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES**
 FOR THE YEAR ENDED FEBRUARY 29, 2004
 =====

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (From Previous Page)	<u>(31,627)</u>	<u>(9,332)</u>	<u>(5,044)</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds		17,500	5,044
Operating transfers in			
Operating transfers (out)	<u>(15,044)</u>	<u>(7,500)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,044)</u>	<u>10,000</u>	<u>5,044</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(46,671)	668	
FUND BALANCE, beginning	<u>143,455</u>	<u>50,277</u>	
FUND BALANCE, ending	<u>\$ 96,784</u>	<u>\$50,945</u>	<u>\$</u>

See notes to financial statements

Totals (Memorandum Only)
Year Ended
February 29 and 28,
2004 2003

(46,003) (214,979)

22,544 200,000
(22,544) (17,500)

_____ 200,000

(46,003) (14,979)

193,732 208,711

\$ 147,729 \$ 193,732

VILLAGE OF BUCKLEY
**COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS**
 FOR THE YEAR ENDED FEBRUARY 29, 2004

=====

	<u>General Fund</u>		
	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$ 86,700	\$ 81,455	\$ (5,245)
Licenses and permits	1,250	1,692	442
State grants	65,000	50,394	(14,606)
Contributions from local units	22,500	23,496	996
Interest and rents	23,000	29,574	6,574
Other	<u>20,000</u>	<u>27,046</u>	<u>7,046</u>
TOTAL REVENUES	<u>218,450</u>	<u>213,657</u>	<u>(4,793)</u>
EXPENDITURES:			
Current:			
Legislative	20,000	9,999	10,001
General government	41,175	28,743	12,432
Public safety	64,300	46,954	17,346
Public works	91,950	84,491	7,459
Parks and recreation	200	689	(489)
Other	5,000		5,000
Capital outlay	90,000	74,408	15,592
Debt retirement			
TOTAL EXPENDITURES	<u>312,625</u>	<u>245,284</u>	<u>67,341</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(94,175)</u>	<u>(31,627)</u>	<u>62,548</u>

See notes to financial statements

<u>Special Revenue Funds</u>		
<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
\$	\$	\$
50,000	59,144	9,144
350	474	124
<u>50,350</u>	<u>59,618</u>	<u>9,268</u>
60,500	68,950	(8,450)
<u>60,500</u>	<u>68,950</u>	<u>(8,450)</u>
<u>(10,150)</u>	<u>(9,332)</u>	<u>818</u>

VILLAGE OF BUCKLEY
**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS**
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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	<u>General Fund</u>		
	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (From Previous Page)	<u>(94,175)</u>	<u>(31,627)</u>	<u>62,548</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in			
Operating transfers (out)	<u>(30,000)</u>	<u>(15,044)</u>	<u>14,956</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,000)</u>	<u>(15,044)</u>	<u>14,956</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(124,175)</u>	<u>(46,671)</u>	<u>77,504</u>
FUND BALANCE, beginning	<u>134,215</u>	<u>143,455</u>	<u>9,240</u>
FUND BALANCE, ending	<u>\$ 10,040</u>	<u>\$ 96,784</u>	<u>\$ 86,744</u>

See notes to financial statements

<u>Special Revenue Funds</u>		
<u>Amended</u>		<u>Variance</u>
<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
		<u>(Unfavorable)</u>
<u>(10,150)</u>	<u>(9,332)</u>	<u>818</u>
7,500	17,500	10,000
<u>(7,500)</u>	<u>(7,500)</u>	<u></u>
<u></u>	<u>10,000</u>	<u>10,000</u>
(10,150)	668	10,818
<u>50,277</u>	<u>50,277</u>	<u></u>
<u>\$ 40,127</u>	<u>\$ 50,945</u>	<u>\$ 10,818</u>

VILLAGE OF BUCKLEY
**STATEMENTS OF REVENUES, EXPENSES AND
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE**

FOR THE YEAR ENDED FEBRUARY 29, 2004
 =====

	<u>Enterprise Fund</u>	
	Year Ended	
	February 29 and 28,	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services	\$ 49,762	\$ 51,935
Interest and rents	10,072	10,279
Other	<u>6,600</u>	<u>6,600</u>
TOTAL OPERATING REVENUES	<u>66,434</u>	<u>68,814</u>
OPERATING EXPENSES:		
Personnel services	23,244	12,161
Insurance	7,836	9,995
Repairs, maintenance & supplies	12,948	13,737
Heat, light and power	5,350	4,875
Depreciation	<u>30,633</u>	<u>28,640</u>
TOTAL OPERATING EXPENSES	<u>80,011</u>	<u>69,408</u>
OPERATING INCOME (LOSS)	(13,577)	(594)
NON-OPERATING EXPENSES:		
Interest expense and fiscal charges	<u>(7,858)</u>	<u>(8,285)</u>
NET INCOME (LOSS)	(21,435)	(8,879)
Add - depreciation on assets purchased with contributed capital	31,695	31,695
RETAINED EARNINGS, beginning	<u>101,558</u>	<u>78,742</u>
RETAINED EARNINGS, ending	<u>\$ 111,818</u>	<u>\$ 101,558</u>

See notes to financial statements

VILLAGE OF BUCKLEY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED FEBRUARY 29, 2004
 =====

	<u>Enterprise Fund</u>	
	Year Ended	
	February 29 and 28,	
	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 48,821	\$ 51,945
Cash paid to suppliers and employees	(49,655)	(40,768)
Net Cash Provided By(Used In)		
Operating Activities	(834)	11,177
Cash Flows From Noncapital Financing		
Activities:		
(Increase) decrease in Due from other		
funds	1,100	
Net Cash Provided By		
Noncapital Financing		
Activities	1,100	
Cash Flows From Capital And Related		
Financing Activities:		
Other income	6,600	6,600
(Increase) decrease in restricted		
cash	9,855	373
Purchase of meters and connections	(23,710)	(2,318)
Purchase of buildings and grounds	(4,700)	
Principal paid on debt	(6,000)	(6,000)
Interest paid on debt	(8,000)	(8,427)
Net Cash (Used In) Capital And		
Related Financing Activities	(25,955)	(9,772)
Cash Flows From Investing Activities:		
Interest and rentals	10,072	10,279
Net Increase (Decrease) in Cash		
and Cash Equivalents	(15,617)	11,684
Cash and Cash Equivalents, beginning	43,624	31,940
Cash and Cash Equivalents, ending	<u>\$ 28,007</u>	<u>\$ 43,624</u>

See notes to financial statements

VILLAGE OF BUCKLEY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED FEBRUARY 29, 2004
 (Continued)

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	<u>Enterprise Fund</u>	
	<u>Year Ended</u>	
	<u>February 29</u>	<u>and 28,</u>
	<u>2004</u>	<u>2003</u>
Reconciliation Of Net Operating Income To Net Cash Provided By Operating Activities:		
Net Operating Income (Loss)	\$ (13,577)	\$ (594)
Adjustments To Reconcile Net Operating Income To Net Cash Provided By Operating Activities:		
Depreciation	30,633	28,640
Other income	(6,600)	(6,600)
(Increase) decrease in receivables	(941)	10
(Increase) decrease in prepaid exp.	(277)	
Interest and rental income classified as an investing activity	<u>(10,072)</u>	<u>(10,279)</u>
Net Cash Provided By(Used In) Operating Activities	<u>\$ (834)</u>	<u>\$ 11,177</u>

See notes to financial statements

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The Village of Buckley (Village) complies with Generally Accepted Accounting Principles (GAAP). The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Village's financial activities for the fiscal year ended February 29, 2004.

B. Reporting Entity

The Village of Buckley is a general law village and operates under the president-council form of government. The Council, Clerk and Treasurer are all elected officials. The Village provides fire protection, highways and streets, recreation, planning and zoning and general administrative services.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Village's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Village and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Village and is generally available to its citizens. A third criterion used to evaluate

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Reporting Entity - Continued

potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements of certain other governmental organizations are not included in the financial statements.

C. Funds and Account Groups

The accounts of the Village are organized into funds and account groups, each of which is considered to be a separate accounting entity.

The major fund categories and account groups are:

Governmental Fund Types

These funds are those through which most governmental functions typically are financed. The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of the financial resources) rather than upon net income. The following is a description of the Governmental Fund Types of the Village:

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, State and Federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. These funds include the Major Street and Local Street Funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

Proprietary Fund Type

These funds are used to account for the Village's ongoing organization and activities. The focus of Proprietary Fund measurement is upon determination of net income, financial position and changes in cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Fund Type of the Village:

Enterprise Funds

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village's Water Fund is an Enterprise Fund.

Account Groups

Account Groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records of the following:

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets other than those accounted for in the Proprietary Funds.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Total Columns (memorandum only)

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual

All Governmental Funds (General, Special Revenue and Debt Service Funds) are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Property taxes are recorded as revenue when levied. Delinquent property taxes are not material. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of taxes are recorded as liabilities and reductions of revenues when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: accumulated unpaid vacation and sick pay, and other employee amounts which are not accrued.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Basis of Accounting - Continued

Accrual

All Proprietary Funds (Enterprise Fund) are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.

F. Budgets

Annual operating budgets are adopted by the Village Council for the General, Special Revenue and Debt Service Funds in accordance with Public Act 621 of 1978.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. At the first meeting in February, the Clerk submits to the Village Council, a proposed operating budget for the year commencing the following March 1st. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- b. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
- c. Prior to February 29, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the Village Council as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Budgets - Continued

- g. The original budget was amended during the year in compliance with the Village procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the Village Council.

G. Encumbrance System

The Village does not use an encumbrance system.

H. Assets and Liabilities

1. Cash and Investments

Michigan Compiled Laws, Section 128.91, authorizes the Village of Buckley to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council Board has designated one bank for the deposit of Village funds.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Assets and Liabilities - Continued

2. Accounts Receivable

It is the Village's policy to place delinquent water bills on the tax rolls on an annual basis.

3. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

4. Fixed Assets, Depreciation, and Amortization

Property, plant, and equipment of all funds are stated at historical cost. Donated fixed assets are stated at their fair market value on the date donated. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group and are not depreciated. Proprietary fund fixed assets are recorded in the respective funds and depreciated using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follows:

Equipment	10 years
Meters and Wells	20 years
Mains and Tanks	50 years

Contributed capital is recorded at historical cost and amortized over 50 years using the straight-line method. For further information regarding fixed assets, see Note 3, A.3., describing property and equipment. There was not any construction during the fiscal year ended February 29, 2004.

5. Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. There was not any construction during the fiscal year ended February 29, 2004.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Allowance for Doubtful Accounts

The Village does not use an allowance for doubtful accounts.

J. Accrued Vacation and Sick Leave

The Village does not maintain a policy providing sick and vacation benefits for its employees.

K. Fund Balance Reserve

The Fund Balance Reserve reflects an offset for prepaid insurance or restricted cash. Under the modified accrual basis of accounting, when prepaid insurance is reported in the financial statements, they are to be equally offset by a fund balance reserve account. This indicates that even though prepaid insurance is a component of net current assets, it does not represent an "available spendable resource." The Village had no Fund Balance Reserves.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

During the year ended February 29, 2004, the Village did not incur any expenditures in certain budgetary funds which were in excess of amounts appropriated, other than in the Parks and Recreation activity of \$489.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS

A. Assets

1. Deposits and Investments

The Village's deposits are in accordance with statutory authority. The GASB Statement No. 3 risk disclosure for the Village's cash deposits are as follows:

At year end, the carrying amount of the Villages deposits was \$127,157 and the bank balance was \$131,325. Of the bank balance, \$131,325 was covered by the Federal Deposit Insurance Corporation (FDIC). The Village did not have any funds that were not insured.

For purposes of the statement of cash flows, the Village considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

2. Property Taxes Receivable and Property Tax Calendar

	<u>Mills</u>	<u>Adjusted Tax Levy</u>	<u>Real Current Collections</u>	<u>Returned to County Delinquent</u>
Village- general	9.2070	\$ 81,455	\$ 68,466	\$ 12,989
Delinquent water bills		2,638	1,797	841

Details of the property tax calendar are as follows:

Levy date:	December 31st of previous year
Lien date:	July 1st
Due date:	July 1st
Collection dates:	July 1st through September 15th

On September 15th, the Village Treasurer turns the delinquent real taxes over to the County Treasurer, except personal property taxes, for collection. The County collects the taxes through February of each year at which time it purchases any delinquent taxes and pays the Village for taxes the County has collected plus the delinquent taxes it purchases. Because of the above procedure, all real property taxes are recorded as revenue in the year levied.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED FEBRUARY 29, 2004
 (Continued)

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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

2. Property Taxes Receivable and Property Tax Calendar - Continued

The Village's Real Property Taxable Valuation is \$8,847,073.

Property tax revenues are recognized in the fiscal year for which they have been levied and become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay current period liabilities. The current period referred to here is a period of time not exceeding 60 days.

3. Property & Equipment

A summary of the changes in general fixed assets follows:

	03/01/03 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	02/29/04 <u>Balance</u>
Land & improvements	\$ 240,127	\$	\$	\$ 240,127
Buildings & improvements	72,994			72,994
Fire Building	269,360	66,304		335,664
Park	3,888			3,888
Automotive equip.	169,920			169,920
Machinery & equip.	67,412	8,104		75,516
Total	<u>\$ 823,701</u>	<u>\$ 74,408</u>	<u>\$</u>	<u>\$ 898,109</u>

A summary of Proprietary Fund Type plant and equipment at February 29, 2004 is as follows:

	<u>Enterprise</u>
Land	\$ 800
Buildings & improvements	83,440
Vehicles	5,371
Water distribution system	650,422
Meters	26,581
Total	766,614
Less accumulated depreciation	(428,939)
NET	<u>\$ 337,675</u>

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)
=====

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

3. Property and Equipment - Continued

Depreciation expense for the fiscal year ended February 29, 2004 was \$30,633.

B. Liabilities

1. Bonds Payable - Water Supply Revenue Bonds Series 1983

The Enterprise Fund has a bond payable at February 29, 2004 accounted for as follows:

Water Supply Revenue Bonds Series 1983	\$ 109,281
Less Current Maturities	<u>6,000</u>
Total Long-Term Revenue Bonds Payable	<u>\$ 103,281</u>

A summary of changes is as follows:

Balance Due, beginning	\$ 115,281
Principal Paid, current period	<u>6,000</u>
Balance Due, ending	<u>\$ 109,281</u>

Maturities of Bonds Payable for each of the next five years and five year increments are as follows:

2004	\$ 6,000
2005	6,000
2006	6,000
2007	6,000
2008	6,000
2009-2013	30,000
2014-2018	35,000
2019-2021	14,281

Specific detail and requirements of the Village's Bond Issue is as follows:

<u>Name of Issue</u>	Village of Buckley Water Supply System Revenue Bonds, Series 1983
<u>Date of Issue</u>	May 1, 1983

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)
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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

B. Liabilities - Continued

1. Bonds Payable - Water Supply Revenue Bonds Series 1983 -
Cont'd.

<u>Purpose</u>	To construct improvements to the Water Supply System consisting of water mains, wells, pumps, 100,000 gallon elevated tank, water meters, together with all necessary attachments and appurtenances.
<u>Amount of Issue</u>	\$175,000.00
<u>Interest Rate</u>	8.375 Percent at issuance - adjusted to 7.125 Percent during 1988.
<u>Call Provisions</u>	Bonds of this issue will be subject to redemption prior to maturity, in inverse numerical order, at the option of the Village on any interest payment date on or after May 1, 1984 at par and accrued interest to the date fixed for redemption.
<u>Payment Provisions</u>	The bonds of this issue are to be paid from the revenues of the system. It does not constitute an indebtedness of the Village within any constitutional or statutory limitation, but is payable, both as to principal and interest, solely and only from the net revenues of the system. The Village covenants and agrees to fix and maintain at all times while any bonds of this issue are outstanding, such user rates as shall be sufficient to provide for the payment of principal and interest when the same become due and payable.

The revenue bond agreement (1983 issue) to which the Village is responsible, sets forth certain requirements which are listed below in order of priority. The Village was in compliance with these requirements as of February 29, 2004.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

B. Liabilities - Continued

1. Bonds Payable - Water Supply Revenue Bonds Series 1983 -
Cont'd.

A. Establish a Junior Lien Revenue Bond - "Bond and Interest Redemption Fund" for the payment of principal and interest on the bonds. The amount of transfers quarterly to be 1/2 of the next interest payment and 1/4 of the next principal payment. As of February 29, 2004, there is \$-0- in this account.

B. Establish a "Junior Lien Bond Reserve Account" and deposit each quarter \$387.50 until an amount of \$15,500 is reached. As of February 29, 2004, there is \$10,743 in reserve.

The Village Council has the authority and the responsibility to set rates which are sufficient to meet these requirements.

2. Bonds Payable - 2002 Capital Improvement Bonds

The General Fund has a bond payable at February 29, 2004 accounted for as follows:

2002 Capital Improvement Bonds	\$ 200,000
Less Current Marurities	<u>5,000</u>
Total Long-Term General Obligation Bonds Payable	<u>\$ 195,000</u>

A summary of changes is as follows:

Balance Due, beginning	\$ 200,000
Bond payments	<u>-</u>
Balance Due, ending	<u>\$ 200,000</u>

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

B. Liabilities - Continued

2. Bonds Payable - 2002 Capital Improvement Bonds - Continued

Maturities of the General Obligation Bonds Payable for each of the next five years are as follows:

2004	\$ 5,000
2005	5,000
2006	5,000
2007	5,000
2008	5,000
2009-2013	40,000
2014-2018	55,000
2019-2023	80,000

Specific detail and requirements of the Village's Bond Issue is as follows:

<u>Name of Issue</u>	Village of Buckley 2002 Capital Improvements Bonds - General Obligation Limited Tax
<u>Date of Issue</u>	December 12, 2002
<u>Purpose</u>	To pay a portion of the cost of constructing and equipping a new fire hall.
<u>Amount of Issue</u>	\$200,000.00
<u>Interest Rate</u>	5.0934947 net interest rate beginning at 6.0% at issuance.
<u>Call Provisions</u>	Notice of redemption shall be given to the registered owner of any bond or portion thereof called for redemption by mailing of such notice not less than thirty (30) days prior to the date fixed for redemption to the registered address of the registered owner of record. A bond or portion thereof so called for redemption shall not bear interest after the date fixed for redemption, whether presented for redemption or not, provided funds are on hand with the Transfer Agent to redeem said bond or portion thereof.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

B. Liabilities - Continued

2. Bonds Payable - 2002 Capital Improvement Bonds - Continued

<u>Payment Provisions</u>	For prompt payment of this bond, both principal and interest, the limited tax full faith, credit and resources of the Village are hereby irrevocably pledged.
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3. Risk management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League & Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation.

This policy complies with Act 284, P.A. 1972, as amended.

C. Interfund Transactions

Following is a description of the basic types of interfund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The following are the interfund receivables and payables at February 29, 2004:

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED FEBRUARY 29, 2004
 (Continued)

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NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

C. Interfund Transactions - Continued

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,100	\$
Water Fund	<u> </u>	<u>1,100</u>
	<u>\$ 1,100</u>	<u>\$ 1,100</u>

NOTE 4: EMPLOYEE PENSIONS

The Village elected to cover its employees under a pension plan through Municipal Retirement Systems, Inc. The election was effective on July 1, 1991 and was in lieu of coverage under the social security system. The plan is known as a Money Purchase Pension plan and the Village is required to contribute 50% of the cost for each employee. The Village contributed \$9,711.00 during the fiscal year ended February 29, 2004.

Eligibility:	Minimum Age: 18
	Maximum Age: 75
	Years of Service: 0

Contribution Formula:	The Employer contributes 6.0% of the Employee's annual compensation; Employee contributes 6.0% of his/her annual compensation.
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Optional Past Service:	The Employer contributes 3.0% of the Employee's current annual compensation for each eligible year of past service up to a maximum of 10 years.
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Ownership of Funds:	Vesting (ownership) is 100% immediate. All funds deposited belong to the Employee in the event of death, disability, retirement or job severance.
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Includes contributions for future and past service and funds transferred from another plan.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

=====

NOTE 4: EMPLOYEE PENSIONS - Continued

Retirement Benefit: Life and Ten Year Certain Annuity. Guarantees you a monthly check for as long as you live; and also in case of your death, continues payments to your beneficiary until a combined sum of 120 payments have been made to you and your beneficiary. Other options are available.

Funding Vehicle: Flexible Premium Annuity.

Insurance Company: USG Annuity and Life Company, a subsidiary of The Equitable Life of Iowa.

Interest Rate: Current rate plus 'bonus' interest equals 8.1%.

Normal Retirement Date: At age 65, or if age 61 or older at entry, at the completion of five years of plan participation.

Plan Expenses:

Participant Fees	- None
Sales Charges	- None
Asset Charges	- None
Administration Fee	- \$100 annually

NOTE 5: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2004 presentation.

NOTE 6: INDIVIDUAL FUNDS PRESENTATION

The General Fund and Enterprise Fund (Water) are the only Village funds of their individual fund type. Therefore, they are not presented in a combining statement in the supplemental data portion of this report.

NOTE 7: RELATED PARTY TRANSACTIONS

Nothing came to our attention during the audit effort that would warrant separate mention related to transactions between the Village and its employees and/or elected officials.

VILLAGE OF BUCKLEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)
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NOTE 8: SUBSEQUENT EVENTS

No subsequent events have come to our attention that require disclosure at this time.

NOTE 9: COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

SUPPLEMENTARY DATA SECTION

Combining and Individual Fund Statements

VILLAGE OF BUCKLEY
COMBINING BALANCE SHEETS
ALL SPECIAL REVENUE FUNDS
FEBRUARY 29, 2004
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			<u>Totals</u>	
	<u>Major</u>	<u>Local</u>	<u>February 29</u>	<u>and 28,</u>
	<u>Street</u>	<u>Street</u>	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>				
Cash	\$32,985	\$ 7,491	\$ 40,476	\$ 52,503
Due from State	<u>7,347</u>	<u>3,122</u>	<u>10,469</u>	<u>10,753</u>
TOTAL ASSETS	<u>\$40,332</u>	<u>\$10,613</u>	<u>\$ 50,945</u>	<u>\$ 63,256</u>
 <u>LIABILITIES & FUND</u>				
<u>BALANCE</u>				
LIABILITIES:				
Due to other funds	\$ _____	\$ _____	\$ _____	\$ 12,979
TOTAL LIABILITIES				12,979
FUND BALANCE:				
Unreserved:				
Undesignated	<u>40,332</u>	<u>10,613</u>	<u>50,945</u>	<u>50,277</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$40,332</u>	<u>\$10,613</u>	<u>\$ 50,945</u>	<u>\$ 63,256</u>

VILLAGE OF BUCKLEY
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 ALL SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

			<u>Totals</u>	
			<u>Year Ended</u>	
	<u>Major</u>	<u>Local</u>	<u>February 29</u>	<u>and 28,</u>
	<u>Street</u>	<u>Street</u>	<u>2004</u>	<u>2003</u>
REVENUES:				
State grants	\$ 42,091	\$ 17,053	\$ 59,144	\$ 56,900
Interest	<u>359</u>	<u>115</u>	<u>474</u>	<u>498</u>
TOTAL REVENUES	<u>42,450</u>	<u>17,168</u>	<u>59,618</u>	<u>57,398</u>
EXPENDITURES:				
Public works:				
Routine maintenance	35,905	33,045	68,950	57,043
Winter maintenance				
Administration				
TOTAL EXPENDITURES	<u>35,905</u>	<u>33,045</u>	<u>68,950</u>	<u>57,043</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,545</u>	<u>(15,877)</u>	<u>(9,332)</u>	<u>355</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in		17,500	17,500	17,500
Operating transfers (out)	<u>(7,500)</u>		<u>(7,500)</u>	<u>(7,500)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,500)</u>	<u>17,500</u>	<u>10,000</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(955)</u>	<u>1,623</u>	<u>668</u>	<u>10,355</u>
FUND BALANCE, beginning	<u>41,287</u>	<u>8,990</u>	<u>50,277</u>	<u>39,922</u>
FUND BALANCE, ending	<u>\$ 40,332</u>	<u>\$ 10,613</u>	<u>\$ 50,945</u>	<u>\$ 50,277</u>

VILLAGE OF BUCKLEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 86,700	\$ 81,455	\$(5,245)
Licenses and permits	1,250	1,692	442
State grants	65,000	50,394	(14,606)
Contributions from local units	22,500	23,496	996
Interest and rents	23,000	29,574	6,574
Other	<u>20,000</u>	<u>27,046</u>	<u>7,046</u>
TOTAL REVENUES	<u>218,450</u>	<u>213,657</u>	<u>(4,793)</u>
EXPENDITURES:			
Current:			
Legislative:			
Village Council	20,000	9,999	10,001
General government:			
Executive	1,750	1,285	465
Elections	1,200		1,200
General administration	9,000	7,792	1,208
Attorney	15,000	6,845	8,155
Clerk	8,225	7,453	772
Treasurer	6,000	5,368	632
Public safety:			
Fire department	62,300	45,014	17,286
Planning commission	2,000	1,940	60
Public works:			
Dept. of public works	79,450	74,437	5,013
Street lighting	12,500	10,054	2,446
Parks and recreation	200	689	(489)
Other	5,000		5,000
Capital outlay	90,000	74,408	15,592
Debt retirement	<u>20,000</u>	<u>5,044</u>	<u>14,956</u>
TOTAL EXPENDITURES	<u>332,625</u>	<u>250,328</u>	<u>82,297</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(114,175)</u>	<u>(36,671)</u>	<u>77,504</u>

VILLAGE OF BUCKLEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (From Previous Page)	<u>(114,175)</u>	<u>(36,671)</u>	<u>77,504</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers (out)	<u>(10,000)</u>	<u>(10,000)</u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>(10,000)</u>	<u> </u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(124,175)</u>	<u>(46,671)</u>	<u>77,504</u>
FUND BALANCE, beginning	<u>134,215</u>	<u>143,455</u>	<u>9,240</u>
FUND BALANCE, ending	<u>\$ 10,040</u>	<u>\$ 96,784</u>	<u>\$ 86,744</u>

VILLAGE OF BUCKLEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR STREET FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
State grants	\$ 35,000	\$ 42,091	\$ 7,091
Interest	<u>250</u>	<u>359</u>	<u>109</u>
TOTAL REVENUES	<u>35,250</u>	<u>42,450</u>	<u>7,200</u>
EXPENDITURES:			
Public works:			
Routine maintenance	<u>31,500</u>	<u>35,905</u>	<u>(4,405)</u>
TOTAL EXPENDITURES	<u>31,500</u>	<u>35,905</u>	<u>(4,405)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,750	6,545	2,795
OTHER FINANCING SOURCES (USES):			
Operating transfers (out)	<u>(7,500)</u>	<u>(7,500)</u>	<u> </u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,750)	(955)	2,795
FUND BALANCE, beginning	<u>41,287</u>	<u>41,287</u>	<u> </u>
FUND BALANCE, ending	<u>\$ 37,537</u>	<u>\$ 40,332</u>	<u>\$ 2,795</u>

VILLAGE OF BUCKLEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL STREET FUND
FOR THE YEAR ENDED FEBRUARY 29, 2004
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	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
State grants	\$ 15,000	\$ 17,053	\$ 2,053
Interest	<u>100</u>	<u>115</u>	<u>15</u>
TOTAL REVENUES	<u>15,100</u>	<u>17,168</u>	<u>2,068</u>
EXPENDITURES:			
Public works:			
Routine maintenance	<u>29,000</u>	<u>33,045</u>	<u>(4,045)</u>
TOTAL EXPENDITURES	<u>29,000</u>	<u>33,045</u>	<u>(4,045)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,900)	(15,877)	(1,977)
OTHER FINANCING SOURCES:			
Operating transfers in	<u>7,500</u>	<u>17,500</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(6,400)	1,623	8,023
FUND BALANCE, beginning	<u>8,990</u>	<u>8,990</u>	<u> </u>
FUND BALANCE, ending	<u>\$ 2,590</u>	<u>\$ 10,613</u>	<u>\$ 8,023</u>

VILLAGE OF BUCKLEY
COMPARATIVE BALANCE SHEET
WATER FUND
FEBRUARY 29, 2004
=====

	February 29, 2004	2003
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 28,007	\$ 43,624
Accounts receivable	3,754	2,813
Prepaid expenses	<u>3,091</u>	<u>2,814</u>
TOTAL CURRENT ASSETS	34,852	49,251
PROPERTY, PLANT & EQUIPMENT:		
Improvements other than buildings, net of accumulated depreciation of \$428,939 and \$398,306, respectively	337,675	339,899
OTHER ASSETS:		
Restricted cash	<u>10,743</u>	<u>20,598</u>
TOTAL ASSETS	<u>\$383,270</u>	<u>\$409,748</u>
<u>LIABILITIES & FUND BALANCE</u>		
CURRENT LIABILITIES:		
Due to other funds	\$ 1,100	\$
Accrued interest payable	2,595	2,738
Current portion of revenue bonds	<u>6,000</u>	<u>6,000</u>
TOTAL CURRENT LIABILITIES	9,695	8,738
Long-Term Debt, net of current maturities:		
Water Supply System Revenue Bonds	<u>103,281</u>	<u>109,281</u>
TOTAL LIABILITIES	<u>112,976</u>	<u>118,019</u>
FUND BALANCE:		
Contributed capital	158,476	190,171
Retained earnings	<u>111,818</u>	<u>101,558</u>
TOTAL FUND BALANCE	<u>270,294</u>	<u>291,729</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$383,270</u>	<u>\$409,748</u>

VILLAGE OF BUCKLEY
SCHEDULE OF LONG-TERM DEBT
 FOR THE YEAR ENDED FEBRUARY 29, 2004
 (Continued)

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Schedule A

WATER SUPPLY SYSTEM REVENUE BONDS SERIES 1983

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
	<u>May 1,</u>	<u>May 1,</u>	<u>November 1,</u>	
2004	\$ 6,000	\$ 3,715	\$ 3,501	\$ 13,216
2005	6,000	3,501	3,287	12,788
2006	6,000	3,287	3,074	12,361
2007	6,000	3,074	2,860	11,934
2008	6,000	2,860	2,646	11,506
2009	6,000	2,646	2,433	11,079
2010	6,000	2,433	2,219	10,652
2011	6,000	2,219	2,005	10,224
2012	6,000	2,005	1,756	9,761
2013	6,000	1,756	1,506	9,262
2014	7,000	1,506	1,257	9,763
2015	7,000	1,257	1,008	9,265
2016	7,000	1,008	758	8,766
2017	7,000	758	509	8,267
2018	7,000	509	259	7,768
2019	7,000	259	10	7,269
2020	7,000	10		7,010
2021	280			280
	<u>\$ 109,280</u>	<u>\$ 32,803</u>	<u>\$ 29,088</u>	<u>\$ 171,171</u>

VILLAGE OF BUCKLEY
SCHEDULE OF LONG-TERM DEBT
 FOR THE YEAR ENDED FEBRUARY 29, 2004
 (Continued)

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Schedule B

2002 CAPITAL IMPROVEMENT BONDS

<u>Year</u>	<u>Principal</u> <u>March 1,</u>	<u>Interest</u> <u>March 1,</u>	<u>September 1,</u>	<u>Total</u>
2004	\$ 5,000.00	\$ 5,043.75	\$ 4,893.75	\$ 14,937.50
2005	5,000.00	4,893.75	4,743.75	14,637.50
2006	5,000.00	4,743.75	4,600.00	14,343.75
2007	5,000.00	4,600.00	4,456.25	14,056.25
2008	5,000.00	4,456.25	4,318.75	13,775.00
2009	5,000.00	4,318.75	4,181.25	13,500.00
2010	5,000.00	4,181.25	4,050.00	13,231.25
2011	10,000.00	4,050.00	3,787.50	17,837.50
2012	10,000.00	3,787.50	3,525.00	17,312.50
2013	10,000.00	3,525.00	3,310.00	16,835.00
2014	10,000.00	3,310.00	3,090.00	16,400.00
2015	10,000.00	3,090.00	2,865.00	15,955.00
2016	10,000.00	2,865.00	2,635.00	15,500.00
2017	10,000.00	2,635.00	2,400.00	15,035.00
2018	15,000.00	2,400.00	2,040.00	19,440.00
2019	15,000.00	2,040.00	1,672.50	18,712.50
2020	15,000.00	1,672.50	1,297.50	17,970.00
2021	15,000.00	1,297.50	915.00	17,212.50
2022	15,000.00	915.00	525.00	16,440.00
2023	20,000.00	525.00		20,525.00
	<u>\$200,000.00</u>	<u>\$64,350.00</u>	<u>\$59,306.25</u>	<u>\$323,656.25</u>

Members of the Village Council
Village of Buckley
Buckley, Michigan

**Report On Compliance and on Internal Control Over
Financial Reporting Based On An Audit Of
Financial Statements performed In Accordance
With Government Auditing Standards**

We have audited the financial statements of the Village of Buckley, Michigan, as of and for the year ended February 29, 2004, and have issued our report thereon dated August 14, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Buckley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Buckley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements performed in Accordance
with Government Auditing Standards
Page Two

financial reporting and its operation that we consider to be relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over Report on Compliance and on Internal Control material weaknesses.

This report is intended solely for the information of management, the Council and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Benny E. Zaudits, CPA, PC

August 14, 2004

COMMENTS AND RECOMMENDATIONS

Members of the Village Council
Village of Buckley
Buckley, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The following comments are based on observations made during the course of our examination for the year ended February 29, 2004, and requirements of the Farmers Home Administration USDA's audit guide. Several of the comments were also noted the previous year.

Internal Control

An evaluation was made of the system of internal control. The system of internal control appeared to be adequate.

Chart of Accounts

The Village is presently using the State of Michigan uniform chart of accounts.

Control Over Assets

The Village, at present, has adequate physical control over its assets. The assets are being recorded as purchased in their funds, thus maintaining accounting control of the assets.

Loan Agreements

The Village appears to be in compliance with loan agreements, including the maintenance of cash reserves.

Accounting Records

The financial reports included in the audit appear to be in agreement with the Village's accounting records.

Village of Buckley
Comments and Recommendations
Page Two

Cash and Cash Investments

At year end, the carrying amount of the Village's deposits were \$127,157 and the bank balance was \$131,325. Of the bank balance, \$131,325 was covered by Federal Deposit Insurance Corporation (FDIC). There were no Village funds uninsured at February 29, 2004

Bond and Insurance Policies

Bond and insurance policies were examined and confirmed by direct communications. The Village is periodically reviewing insurance coverage.

Bond Requirements

As of February 29, 2004, the Village is in compliance with the requirements set forth for the sewage disposal system's bonds.

Income Tax Status

The Village is exempt from federal income tax.

Aging of Accounts Receivable

Water accounts are billed monthly. An aging of the accounts receivable is as follows:

<u>Fund</u>	<u>Total</u>	<u>Over 90 Days</u>
Water	\$ 3,754	\$3,754

This letter supplements the information in the General Purpose Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and Farmers Home Administration and should not be used for any other purpose.

Bary E. Thuditt, CPA, PL

August 14, 2004